



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE

State of Rhode Island Monthly Revenue Brief
FY 2009 Cash Collections through January 2009

Beginning in September 2008, the State of Rhode Island Monthly Revenue Brief will be prepared and distributed by the Rhode Island Department of Revenue (RI DOR). The revenue brief will adhere to the style and format of the monthly revenue brief previously issued by the State of Rhode Island Budget Office to the greatest extent possible. Thus, the RI DOR monthly revenue brief will be a comprehensive assessment of fiscal year-to-date revenue collections on all revenue sources estimated by the principals of the Revenue Estimating Conference (see RI General Law § 35-16-1).

Users of the report should be cautious when comparing year-to-date growth rates to the growth estimate for Other Miscellaneous Revenues and Unclaimed Property as the receipt of these revenues occurs at discrete points in time over the course of a fiscal year. Further complicating matters is the fact that the discrete pattern of receipts varies so that payments received do not necessarily occur at the same point in time in each fiscal year.

Total General Revenues

Annual Growth Rates	<u>Revised Growth Estimate</u> -9.2 %	<u>Actual YTD Growth</u> -11.0 %	<u>Base YTD Growth</u> -2.2 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$3.113 Billion	<u>Actual YTD Cash</u> \$1.636 Billion	

Fiscal Year 2009 total general revenues collected through January 2009 have decreased by 11.0 percent as compared to audited FY 2008 total general revenues collected through January of last year. This growth rate lags behind the revised growth rates of -9.2 percent that was adopted by the principals at the November 2008 Revenue Estimating Conference (REC). For the fiscal year-to-date period through January 2009, total general revenues were \$1.636 billion as compared to \$1.839 billion for the same period last year, a decrease of \$202.7 million. It is necessary to make adjustments to the cash collections for these two fiscal years in order to determine the base year-over-year fiscal year-to-date growth in collections.

In FY 2008 through January, a net total of -\$201.8 million of adjustments must be made. These adjustments include an increase of \$1.8 million to motor vehicle licenses and fees to

account for the late posting of interstate trucking payments that are made to the forty-nine other states and Canada; a decrease of \$66.8 million in departmental Licenses and Fees for the payment of the Hospital Licensing Fee in July 2007 for FY 2006; a decrease of \$12.9 million in departmental Sales and Services due to the one-time shifting in the receipt of the disproportionate share payment from Eleanor Slater hospital; and a decrease of \$124.0 million in Other Miscellaneous Revenues for the one-time receipt of residual Tobacco Settlement bond proceeds.

In FY 2009 through January, a net total of \$(34.3) million of adjustments must be made. These adjustments include an increase in Personal Income tax collections of \$37.1 million, an increase in Business Corporations tax collections of \$329,848 and an increase in Financial Institutions taxes of \$3.0 million all for Historic Structures Tax Credits that were redeemed but will be reimbursed from the Historic Structures Tax Credit Fund upon the issuance of the bonds that were approved by the General Assembly for this purpose; an increase of \$1.7 million to motor vehicle licenses and fees to account for the late posting of interstate trucking payments that are made to the forty-nine other states and Canada; a decrease of \$70.3 million in departmental Licenses and Fees for the payment of the Hospital Licensing Fee in July 2008 for FY 2007; a decrease of \$987,863 in departmental Miscellaneous revenues for the late posting of fourth quarter FY 2008 child support enforcement collections by the Department of Human Services; and a decrease in Other Miscellaneous revenues of \$5.1 million for the receipt of operating transfers from quasi-public agencies in October rather than June as is normally the case.

The necessary adjustments that need to be made are displayed in the table below:

Revenue Source	Adjustment	Year-to-Date FY 2008	Year-to-Date FY 2009
Personal Income	Add-back Historic Tax Credits taken	\$0	\$37,106,820
Business Corporations	Add-back Historic Tax Credits taken	\$0	\$329,848
Financial Institutions	Add back Historic Tax Credits taken	\$0	\$2,987,384
Other Miscellaneous	Early receipt of transfers from Quasis	\$0	\$(5,100,000)
Motor Vehicle	Interstate trucking payments made	\$1,825,675	\$1,661,969
Licenses & Fees	Hospital Licensing Fee	\$(66,759,130)	\$(70,341,787)
Sales & Services	Disproportionate Share payment	\$(12,873,235)	\$0
Misc. Departmental	Child Support Enforcement collections	\$0	\$(987,863)
Other Misc. Revs.	Residual Tobacco Settlement proceeds	\$(124,000,000)	\$0
Total		\$(201,806,690)	\$(34,343,629)

Accounting for these revenue adjustments yields a base fiscal year-to-date growth rate of -2.2 percent for the first seven months of the fiscal year. It should be noted that the base year-to-date growth rate is not necessarily indicative of projected annual growth.

Taxes and Departmental Receipts

Annual Growth Rates	<u>Revised Growth Estimate</u> -4.8 %	<u>Actual YTD Growth</u> -4.9 %	<u>Base YTD Growth</u> -1.8 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$2.734 Billion	<u>Actual YTD Cash</u> \$1.462 Billion	

The Rhode Island Department of Revenue reports that FY 2009 taxes and departmental receipts collected through January 2009 have decreased by 4.9 percent as compared to audited FY 2008 collections for the comparable period a year ago. This rate of growth lags the revised FY 2009 rate of growth for Taxes and Departmental Receipts of -4.8 percent adopted by the conferees at the November 2008 Revenue Estimating Conference. For the fiscal year-to-date period ending January 2009, total taxes and departmental receipts were \$1.462 billion as compared to \$1.537 billion for the same period last fiscal year, a decrease of \$74.8 million.

The motor vehicle licenses and fees' late interstate trucking payments, Hospital Licensing Fee, and the disproportionate share payment, result in a \$(77.8) million adjustment in FY 2008 for comparability between fiscal years. The Personal Income, Business Corporations, and Financial Institutions Historic Structures Tax Credits, the motor vehicle licenses and fees' late interstate trucking payments, the Hospital Licensing Fee and the child support enforcement late posting result in a \$(29.2) million adjustment in FY 2009 for comparability between fiscal years. These modifications yield a FY 2009 base growth rate in taxes and departmental receipts of -1.8 percent.

Other General Revenue Sources

Annual Growth Rates	<u>Revised Growth Estimate</u> -31.8 %	<u>Actual YTD Growth</u> -42.3 %	<u>Base YTD Growth</u> -5.0 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$379.5 Million	<u>Actual YTD Cash</u> \$174.4 Million	

FY 2009 other general revenue sources collected through January 2009 have decreased by 42.3 percent as compared to collections through January 2008. This rate of growth lags the revised FY 2009 rate of growth for Other General Revenue Sources of -31.8 percent adopted by the conferees at the November 2008 Revenue Estimating Conference.

Other general revenue sources include the Gas Tax Transfer to the general fund, Other Miscellaneous Revenues, the Lottery Transfer to the general fund, and Unclaimed Property

that is transferred to the State in June of each fiscal year. For the fiscal year-to-date period ending January 2009, total other general revenue sources were \$174.4 million as compared to \$302.3 million for the same period last year, a decrease of \$127.9 million. Of the \$127.9 million decrease, \$120.7 million represents the net proceeds from the sale of residual Tobacco Settlement bonds that were posted to the General Fund as Other Miscellaneous Revenue in FY 2008 and \$7.1 million represents the net decrease in the Lottery Transfer to the general fund for the first seven months of FY 2009 versus the first seven months of FY 2008.

Total Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -4.5 %	<u>Actual YTD Growth</u> -3.7 %	<u>Base YTD Growth</u> -0.7 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$2.402 Billion	<u>Actual YTD Cash</u> \$1.289 Billion	

Total tax revenues for the fiscal year-to-date period through January 2009 were \$1.289 billion, or 3.7 percent less than the \$1.338 billion in total taxes collected in FY 2008 through January 2008. The FY 2009 revised growth estimate for tax collections is -4.5 percent for FY 2009 tax collections over audited FY 2008 tax collections. In FY 2008, motor vehicle license and fee revenues were underreported by \$1.8 million due to the late payment of FY 2007 interstate trucking fees. In FY 2009, motor vehicle license and fee revenues were underreported by \$1.7 million due to the late payment of FY 2008 interstate trucking fees. In addition, \$40.4 million of Historic Structures Tax Credits were redeemed against personal income, business corporations, and financial institutions taxes in FY 2009. These modifications yield a base growth rate of -0.7 percent in total taxes for FY 2009.

Personal Income Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -5.8 %	<u>Actual YTD Growth</u> -6.2 %	<u>Base YTD Growth</u> -0.4 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$1.011 Billion	<u>Actual YTD Cash</u> \$599.1 Million	

Actual personal income tax collections for FY 2009 through January of the fiscal year were down \$39.4 million, or -6.2 percent, compared to the same period last fiscal year. The FY 2009 year-to-date growth rate lags behind the revised FY 2009 over audited FY 2008 growth rate of -5.8 percent in personal income tax collections. Total personal income tax collections for FY 2009 through January 2009 were \$599.1 million as compared to FY 2008 collections of \$638.5 million through January 2008.

Due to an estimating convention adopted by the principals at the May 2008 Revenue Estimating Conference, the year-to-date cash collections in Personal Income taxes need to be

adjusted upward by the amount of historic tax credits that have been redeemed so that comparisons can be made to the revised growth rate estimate. It is important to note that any historic structures tax credits that are redeemed in FY 2009 will be reimbursed from the Historic Tax Credit Fund's bond proceeds upon issuance. Adding back the \$37.1 million of redeemed historic structures tax credits to FY 2009 year-to-date cash collections yields a base fiscal year-to-date growth rate of -0.4 percent.

The table below is developed from information provided by the Division of Taxation, and breaks down personal income tax collections by component for FY 2008 and FY 2009 through January. It should be noted that slight differences may exist between the figures reported by the Division of Taxation and those reported by the Controller due to timing differences in the posting of revenues.

Component	YTD FY 2008	YTD FY 2009	Percent Difference	Revised Growth Estimate
Estimated Payments	\$143,482,863	\$112,546,300	-21.6 %	-17.8 %
Final Payments*	25,668,446	61,390,326	139.2 %	17.9 %
Withholding	519,277,372	520,996,606	0.3 %	-0.4 %
Refunds/Adjustments	(49,935,717)	(58,704,367)	17.6 %	19.8 %
* \$37.1 million of redeemed Historic Structures Tax Credits have been added to actual cash collections in order to allow for comparison to the Revised Growth Estimate.				

FY 2009 year-to-date income tax refunds paid were \$8.8 million greater compared to the same period in FY 2008. This decrease translates into a fiscal year-to-date growth rate of 17.6 percent. On average over the last five fiscal years, 18.9 percent of total income tax refunds are paid in the first seven months of the fiscal year.

Income tax withholding payments have increased by \$1.7 million, or 0.3 percent, through the first seven months of FY 2009 when compared to the same period in FY 2008. Withholding payments are forecasted to decline by 0.4 percent by the end of FY 2009 as compared to year-to-end FY 2008. On average, over the past five fiscal years, 57.1 percent of income tax withholding payments is collected in the first seven months of the fiscal year.

Fiscal year-to-date FY 2009 final income tax payments received have increased substantially over the prior year once the \$37.1 million of historic structures tax credits are incorporated (for simplicity, it is assumed that all historic structures tax credits are taken against final payments). Fiscal year-to-date final income tax payments are up \$35.7 million. It should be

noted that, on average, over the last five fiscal years only 13.6 percent of total final income tax payments are received in the first seven months of the fiscal year.

Finally, with respect to estimated income tax payments, year-to-date FY 2009 collections were down \$30.9 million from FY 2008 collections at this time last year. This decrease translates into a fiscal year-to-date growth rate of -21.6 percent. The actual growth rate in estimated income tax payments received between FY 2008 and FY 2009 exceeds the revised growth rate for estimated income tax payments. On average, over the last five fiscal years 62.9 percent of total estimated income tax payments are made by the end of January.

Sales and Use Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -1.6 %	<u>Actual YTD Growth</u> -2.8 %	<u>Base YTD Growth</u> -2.8 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$831.0 Million	<u>Actual YTD Cash</u> \$505.6 Million	

Sales and use tax collections in FY 2009 were down \$14.4 million, or -2.8 percent, relative to last fiscal year at this time. The monthly sales tax receipts reported here reflect the prior month's retail sales activity. For both FY 2008 and FY 2009, the state's sales tax rate is 7.0 percent. The actual year-to-date growth rate equals the base YTD growth rate.

The Division of Taxation provides the following component breakdown for sales and use tax collections through January:

Component	FY 2008	FY 2009	Nominal Difference	Percent Difference
Net Taxation	\$ 458,355,001	\$ 455,161,733	\$(3,193,268)	-0.7 %
Registry	53,386,342	41,867,320	(11,519,023)	-21.6 %
PPM	8,781,638	8,134,773	(646,865)	-7.4%

Within the sales tax components, registry receipts are down 21.6 percent in the first seven months of FY 2009 when compared to same period last fiscal year. Net sales tax receipts remitted directly to the Division of Taxation posted a decrease of 0.5 percent during FY 2009's first seven months versus the first seven months of FY 2008. Providence Place Mall (PPM) sales tax receipts were also down 7.4 percent through January of FY 2009 versus the same period in FY 2008. It should be noted that a one-time transfer of \$786,449 from the Net Taxation receipt account to the PPM receipt account was made in January 2008. This transfer was necessary to accurately reflect the taxable sales activity at PPM on a fiscal year-to-date basis.

General Business Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -8.7 %	<u>Actual YTD Growth</u> 4.6 %	<u>Base YTD Growth</u> 10.2 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$342.2 Million	<u>Actual YTD Cash</u> \$62.2 Million	

In general, businesses with Rhode Island tax liabilities make estimated payments of their tax year liabilities in March and June of the fiscal year, with 40.0 percent of the estimated total tax liability due in March and 60.0 percent of the estimated total tax liability due in June. There is one clear exception to this payment pattern, namely health care provider assessments, payments of which are made on a monthly basis. Business corporations tax payments are also received more consistently over the course of the fiscal year due to the number of filers that are on extension at any given point in time. As a result, both business corporations taxes and health care provider assessments flow more evenly into the general fund over the course of a fiscal year and some determination of their adequacy relative to the revised growth rate can be made.

Total general business taxes collected in the fiscal year-to-date January 2009 period were \$62.2 million or \$2.7 million more than the \$59.5 million collected during the same period in FY 2008. The revised FY 2009 growth rate estimate over audited FY 2008 total general business taxes is -8.7 percent. The actual year-to-date growth rate for the first seven months of the fiscal year is 4.6 percent.

Due to an estimating convention adopted by the principals at the May 2008 Revenue Estimating Conference, the year-to-date cash collections in general business taxes need to be adjusted upward by the amount of historic tax credits that have been redeemed so that comparisons can be made to the preliminary estimate. Adding back the \$3.0 million of redeemed historic structures tax credits to FY 2009 year-to-date cash collections for financial institutions and \$329,848 of the same for business corporation tax yields a base fiscal year-to-date growth rate of 10.2 percent.

FY 2009 year-to-date business corporations taxes posted gains of \$2.0 million or 7.1 percent, from last fiscal year at this time. The revised FY 2009 growth rate estimate for business corporation taxes adopted at the November 2008 REC is -28.2 percent. On average, over the past five years, 20.4 percent of business corporate tax payments are made through the first seven months of the fiscal year.

The Division of Taxation reports the components of the business corporation tax through January as follows:

Component	FY 2008	FY 2009	Nominal Difference	Percent Difference
Estimated Payments	\$23,871,004	\$30,150,725	\$6,279,721	26.3%
Final Payments	21,186,997	18,272,041	(2,914,956)	-13.8%
Refunds/Adjustments	(17,774,754)	(18,951,873)	(1,177,119)	6.6%

Health care provider assessment taxes through January 2009 were \$27.6 million, a decrease of 9.3 percent over the same period in FY 2008. This growth rate lags behind the revised growth estimate of -8.2 percent adopted at the November 2008 Revenue Estimating Conference. On average, over the past five years, 56.2 percent of health care provider assessment tax payments are made by the end of January.

Bank deposit taxes tend to post irregularly until March, when the first 40.0 percent of estimated total tax liability is due. In the first seven months of FY 2009 \$153,812 has been received as compared to \$3,246 through the first seven months of FY 2008. On average, over the past five fiscal years, only 2.5 percent of bank deposit tax payments are collected through January of the fiscal year.

The insurance companies gross premiums tax is down 2,739.4 percent year-to-date. Insurance companies gross premiums tax collections through January 2009 total \$(548,542). In October 2008, an insurance-companies gross premiums taxpayer received a substantial refund. In general, insurance companies gross premiums taxes tend to post irregularly until March, when the first 40.0 percent of total tax liability is due. On average, over the past five fiscal years, only 1.3 percent of gross premiums taxes are collected through January of the fiscal year.

Financial institutions taxes decreased by \$521,852 on a fiscal year-to-date cash basis in FY 2009 versus FY 2008; a decrease of 81.2 percent. These cash collections ignore, however, the fact that a financial-institutions taxpayer redeemed a historic structures tax credit for \$3.0 million in September 2008. The general fund will be reimbursed for the redemption of this tax credit from the Historic Structures Tax Credit Fund bond proceeds later in the fiscal year.

Finally, public utilities gross earnings taxes were \$5.4 million through January 2009, an increase of 521.3 percent from collections of \$868,285 through January 2008. This increase is attributable to the \$3.3 million "Safe Harbor" payment made in September 2008. This pattern has begun to develop over the past five years as a taxpayer makes an additional estimated payment to ensure that estimated payments for the tax year total the prior tax year's liability. These additional estimated payments have occurred in August of 2006 and September of 2005 although no such additional estimated payment was made in tax year 2007.

Excise Taxes Other Than the Sales and Use Tax

Annual Growth Rates	<u>Revised Growth Estimate</u> 2.4 %	<u>Actual YTD Growth</u> 2.1 %	<u>Base YTD Growth</u> 1.9 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$179.6 Million	<u>Actual YTD Cash</u> \$97.4 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date January 2009 period totaled \$97.4 million or \$2.0 million more than the \$95.4 million collected for the same period in FY 2008. FY 2009 motor vehicle license and fee revenues were understated for the fifth straight year. In FY 2009, June 2008 interstate trucking payments were made in July 2008 causing an understatement of \$1.7 million. In FY 2008, an understatement of \$1.8 million occurred in July 2007 due to the late payment for June 2007.

Rhode Island cigarette tax receipts are comprised of excise taxes collected on the sale of cigarettes, smokeless tobacco (which also includes cigars and pipe tobacco), and a one-time cigarette floor stock tax. The cigarette floor stock tax is imposed only when there is an increase in the excise tax on cigarettes. In FY 2008 and FY 2009 no increase in the cigarette excise tax was passed into law and, as a result, no cigarette floor stock tax revenues were collected in FY 2008 and none are expected for the current fiscal year. Total cigarette tax receipts for the first seven months of FY 2009 were up 5.2 percent compared to the same period a year ago. This rate of growth exceeds the revised cigarette revenue growth rate of 4.3 percent that was agreed to by the principals at the November 2008 REC.

Finally, the change in cigarette consumption is determined. First, the value of the cigarette floor stock tax and the smokeless tobacco products tax is netted out of the data. The result is an increase in Rhode Island cigarette consumption of 5.2 percent for the first seven months of FY 2009 versus the first seven months of FY 2008.

Other Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -20.8 %	<u>Actual YTD Growth</u> -0.6 %	<u>Base YTD Growth</u> -0.6 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$38.3 Million	<u>Actual YTD Cash</u> \$24.2 Million	

Total other taxes collected through January of FY 2009 totaled \$24.2 million versus \$24.3 million in other taxes collected during the same period last fiscal year, a decrease of 0.6 percent. The FY 2009 other taxes revised growth estimate is -20.8 percent over audited FY 2008 total other taxes. Inheritance tax collections totaled \$17.7 million through January of FY 2009, an increase of 10.4 percent from the \$16.1 million collected through the first seven months of FY 2008. Given the fact that inheritance tax collections are volatile, it is not

possible to make any valid comments about this revenue source. Racing and athletics tax collections through January of FY 2009 were down 14.5 percent relative to the same period in FY 2008. The revised growth estimate for racing and athletics tax collections is -11.1 percent. On average, over the past five fiscal years, 58.6 percent of racing and athletics tax collections were collected in the first seven months of the fiscal year. Realty transfer taxes were down by 23.8 percent through January of FY 2009 versus January of FY 2008. On average, over the past five fiscal years, 61.0 percent of realty transfer taxes were collected in the first seven months of the fiscal year.

Total Departmental Receipts

Annual Growth Rates	<u>Revised Growth Estimate</u> -7.0 %	<u>Actual YTD Growth</u> -12.9 %	<u>Base YTD Growth</u> -14.5 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$331.5 Million	<u>Actual YTD Cash</u> \$173.4 Million	

FY 2009 year-to-date departmental receipts total \$173.4 million, a decrease of \$25.7 million from the amount that was collected last fiscal year at this time. Actual departmental receipts for FY 2009 were down 12.9 percent when compared to receipts collected during the same period a year ago. The revised FY 2009 growth estimate is -7.0 percent over audited FY 2008 departmental receipt collections. It is important to note that, in the licenses and fees category of departmental receipts, the Hospital Licensing Fee for FY 2008 was not due until July 2008 and the cash payment received in FY 2009 was accrued back to FY 2008.

FY 2009 year-to-date growth in the licenses and fees category of departmental receipts is -5.5 percent or \$7.8 million less than FY 2008 through January 2008. The Hospital Licensing Fee for FY 2008 was received in July of FY 2009 and totaled \$70.3 million or \$3.6 million more than what was received in July of FY 2008 for FY 2007. Year-to-date interim Medicaid hospital rate settlement payments were \$3.9 million lower through January 2009 over the same period in FY 2008. These payments are received irregularly throughout the year and the Department of Human Services was making an effort in FY 2008 to collect these payments at an accelerated pace. Rhode Island Historic Structures Tax Credit processing fees were \$2.6 million more in FY 2008 than in FY 2009 through January while insurance company annual assessments were \$283,098 more. FY 2009 year-to-date collections from fees associated with water surcharge, motor vehicle, driving record abstracts, and pesticide registration are down \$2.5 million when compared to receipts collected during the same period a year ago.

Fines and penalties were increased by \$1.1 million through the first seven months of FY 2009 versus the first seven months of FY 2008. Current year-to date collections associated with traffic tribunal fines, and penalty and interest on overdue taxes increased by \$2.2 million when compared with receipts collected during the same period a year ago. This increase is partially offset by a decrease in insurance administrative penalties of \$1.2 million over the comparable period in FY 2008.

In the sales and services category of departmental receipts, FY 2009 year-to-date growth is – 69.8 percent over FY 2008 collections of \$22.8 million through January 2008. The majority of the FY 2009 decrease in sales and service revenues is a result of the statutorily delayed posting of FY 2007 uncompensated care payments. The FY 2007 uncompensated care payment to the Eleanor Slater Hospital was \$12.9 million however these reimbursements for uncompensated care were shifted into FY 2008 in the FY 2007 Appropriations Act. The FY 2007 Appropriations Act changed the date the uncompensated care reimbursement is required to be paid for FY 2007 to July 16, 2007, effectively FY 2008. The reimbursement was made in a timely manner, however, due to the statutory change in timing this payment causes year-to-date departmental revenues to appear artificially depressed. In addition, Board and Support payments from patients at the state hospitals are lower through the first seven months of FY 2009 as compared to the first seven months of FY 2008 by \$1.5 million.

Finally, miscellaneous departmental revenues were down \$3.0 million, or 19.9 percent, through the first seven months of FY 2009 versus the first seven months of FY 2008. The majority of this difference is due to income on investments which is down \$1.6 million in FY 2009 vs. FY 2008 through January. An additional \$1.4 million less was collected in FY 2009 through January in Banking and Insurance Examination fees, \$(479,928), Energy Office grants, \$(1.0) million, and emergency housing funds from the Rhode Island Housing Mortgage Finance Corporation, \$(536,840), than was the case in FY 2008 through January. It should be noted, however, that the decline in revenue collected from emergency housing funds program is mainly due to a change in administrative responsibility; since first quarter FY 2009 RI Housing and Mortgage Finance Corporation is handling this account. These decreases were offset in part by an increase of \$1.2 million in child support enforcement collections and of \$212,845 in miscellaneous revenues from the Department of the Attorney General that have been received in FY 2009 vs. FY 2008.

Adjusting FY 2008 total departmental receipts for the hospital licensing fee and the uncompensated care payment and FY 2009 total departmental receipts for the hospital licensing fee and the late posting of child support enforcement collections results in an adjusted growth rate of –14.5 percent, a decrease of \$17.4 million from adjusted FY 2008 departmental receipts collected through January 2009.

Gas Tax Transfer

Annual Growth Rates	<u>Revised Growth Estimate</u> –0.9 %	<u>Actual YTD Growth</u> –1.5 %	<u>Base YTD Growth</u> –1.5 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$4.475 Million	<u>Actual YTD Cash</u> \$2.7 Million	

The Gas Tax Transfer is down 1.5 percent for FY 2009 through January when compared to FY 2008 for the same period. The revised growth rate estimate for the gas tax transfer is -0.9 percent. In both FY 2009 and FY 2008, \$0.01 per gallon of the State's \$0.30 per gallon motor fuel tax is dedicated to the general fund.

Other Miscellaneous Revenues

Annual Growth Rates	<u>Revised Growth Estimate</u> -90.9 %	<u>Actual YTD Growth</u> -95.2 %	<u>Base YTD Growth</u> -66.4 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$16.6 Million	<u>Actual YTD Cash</u> \$6.0 Million	

Other Miscellaneous Revenues were down 95.2 percent in FY 2009 when compared to the same period one year ago. FY 2009 year-to-date collections total \$6.0 million compared to \$126.8 million collected at this time last fiscal year. The bond proceeds from the sale of residual Tobacco Settlement payments were posted to the General Fund in August 2007 in the amount of \$124.0 million. This was a one-time receipt that does not repeat in FY 2009. The revised FY 2009 growth estimate for other miscellaneous revenues is -90.9 percent from audited FY 2008 collections. Adjusting for the one-time receipt of the residual Tobacco Settlement payment bond proceeds and the early receipt in FY 2009 of operating transfers from quasi-public agencies yields a base fiscal year-to-date growth rate of -66.4 percent.

Lottery Transfer

Annual Growth Rates	<u>Revised Growth Estimate</u> -1.5 %	<u>Actual YTD Growth</u> -4.1 %	<u>Base YTD Growth</u> -4.1 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$349.1 Million	<u>Actual YTD Cash</u> \$165.7 Million	

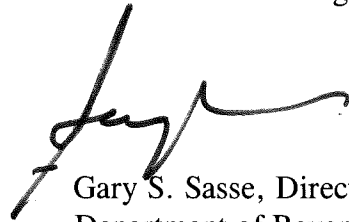
The Lottery Transfer to the general fund is down 4.1 percent, or \$7.1 million, in the FY 2009 fiscal year-to-date period compared to the same period last year. In the 2008 session, the General Assembly passed legislation that dedicated the state's share of the net terminal income from the implementation of 24 hours a day/three days a week (i.e., weekends and holidays) at Twin River to the Permanent School Fund. Through the first seven months of FY 2009, this has resulted in \$4.6 million being transferred to the Permanent School Fund.

The Division of Lottery reports the following information on the components of the lottery transfer through December:

Component	FY 2008	FY 2009	Percent Difference	Revised Growth Estimate
Combined Games	\$29,025,063	\$29,326,472	1.0 %	0.4 %
Video Lottery*	141,183,091	135,829,294	-3.8 %	-1.9 %
Total	\$170,208,154	\$165,155,766	-3.0 %	-1.5 %
* Excludes transfer to the Permanent School Fund.				

In the first six months of FY 2009, the video lottery NTI fell to \$225.1 million or -1.2 percent versus the same period in FY 2008. This trails the revised growth rate of 0.5 percent over FY 2008 adopted at the November 2008 Revenue Estimating Conference. The FY 2009 transfer to the general fund from the video lottery terminals (VLT) is down 3.8 percent through December when compared to the same period in FY 2008. The FY 2009 revised growth estimate for this transfer is -1.9 percent over audited FY 2008 VLT transfer.

FY 2009 year-to-date collections from instant ticket and monitor games increased by 1.0 percent during the first six months of FY 2009 versus the same period last year. The FY 2009 revised growth rate estimate for instant and monitor games is 0.4 percent over audited FY 2008.



Gary S. Sasse, Director
Department of Revenue

February 12, 2009

STATE OF RHODE ISLAND
Year To Date Revenues

	FY 2008 January	FY 2009 January	Change	Revised Estimate
<u>Personal Income Tax</u>	638,487,885	599,122,046	-6.2%	-5.8%
<u>General Business Taxes</u>				
Business Corporations	27,549,601	29,519,327	7.1%	-28.2%
Public Utilities Gross Earnings	868,285	5,394,425	521.3%	5.1%
Financial Institutions	642,893	121,041	-81.2%	9.3%
Insurance Companies	20,783	(548,542)	-2739.4%	13.2%
Bank Deposits	3,246	153,812	4638.5%	-0.6%
Health Care Provider Assessment	30,392,066	27,580,083	-9.3%	-8.2%
<u>Excise Taxes</u>				
Sales and Use	519,929,071	505,551,725	-2.8%	-1.6%
Motor Vehicle	18,832,991	17,245,575	-8.4%	-1.3%
Motor Fuel	740,674	672,855	-9.2%	-6.2%
Cigarettes	69,291,918	72,863,592	5.2%	4.3%
Alcohol	6,562,196	6,651,860	1.4%	-0.4%
Controlled Substances	-	-	-	-
<u>Other Taxes</u>				
Inheritance and Gift	16,077,742	17,748,171	10.4%	-20.8%
Racing and Athletics	1,647,556	1,409,191	-14.5%	-11.1%
Realty Transfer	6,621,459	5,045,843	-23.8%	-23.7%
Total Taxes	\$ 1,337,668,366	\$ 1,288,531,004	-3.7%	-4.5%
<u>Departmental Receipts</u>				
Licenses and Fees	142,764,172	134,925,695	-5.5%	
Fines and Penalties	18,492,995	19,562,875	5.8%	
Sales and Services	22,781,446	6,880,894	-69.8%	
Miscellaneous	15,010,898	12,017,931	-19.9%	
Total Departmental Receipts	\$ 199,049,511	\$ 173,387,395	-12.9%	-7.0%
Taxes and Departmentals	\$ 1,536,717,877	\$ 1,461,918,399	-4.9%	-4.8%
<u>Other General Revenue Sources</u>				
Gas Tax Transfer	2,759,616	2,718,701	-1.5%	-0.9%
Other Miscellaneous Revenues	126,785,962	6,036,244	-95.2%	-90.9%
Lottery Transfer	172,789,832	165,676,856	-4.1%	-1.5%
Unclaimed Property	-	-	-	-39.6%
Total Other Sources	\$ 302,335,410	\$ 174,431,801	-42.3%	-31.8%
Total General Revenues	\$ 1,839,053,287	\$ 1,636,350,200	-11.0%	-9.2%